

CHAPTER 2

THE ROLE OF THE PROPERTY MANAGER IN OPERATIONS

Along with industrialization, our progress toward a technological society in the early part of the twentieth century was marked by the proliferation of government buildings, commercial office buildings, and apartment buildings. The private buildings were owned by individuals and institutions and the building manager was the superintendent. Maintenance was his responsibility and his trade, and he hired other workers to do what he could not do. Very few outside contractors were used. Either the superintendent or an agent of the owner leased the space, collected the rents, and evicted those who did not pay rent.

Perhaps it is good to look back at our origins to see if we can identify our basic purpose, which is to take care of properties belonging to someone else, to keep them clean and functioning so that tenants will pay to stay in them, and to make money for the ones who pay our salaries.

Property management as a global concern suffers from erraticism. Deteriorating pyramids and temples exist in the Middle East, Asia, and South America. Other cultures in emerging nations build poorly and rarely repair what breaks because of lack of money, unskilled labor, poor weather, lack of tools and technology. Europeans clean and air their public buildings but much of their charm lies in original craftsmanship and the patina of old age.

In North America and particularly in the United States, we believe that newer is better (more desirable) and we strive to keep age or obsolescence from showing or even occurring in our commercial properties. We are so concerned with the appeal of the "new" that we are guilty of tearing down wonderfully maintained buildings because the *highest and best use* of the land is not being achieved. The reasoning is that a replacement property on the site can produce more revenue. Not surprisingly, the emphasis on the most profitable use of the property raises the money available for the property management skills which have become as increasingly complex and technical as the buildings themselves.

Quality personnel are attracted to higher pay and will educate themselves to achieve it. Advanced education and training, along with intellectual skills, describe a professional. Property management is a profession requiring a combina-

THE BUSINESS OF PROPERTY MANAGEMENT

Property Management in Other Cultures

The Value of Looking New

The Professional Property Manager

tion of skills to position and maintain a property at its highest and best use. Building Owners and Managers Institute International's Real Property Administrator (RPA) courses have been instrumental in helping thousands of students achieve their goals of professionalism.

BOMI Definition of Property Management

Property management is the process of maintaining and creating value in real property consistent with the owner's objectives through the efficient balance of tenant and owner relations, financial budgeting and expense control, risk management and all other operational aspects of the property in compliance with the highest standard of professional ethics.

Property Management as an Agency

Property management is performed for the most part by professionals who do not own the property — that is, they are not principals — under an agency relationship or an independent contractor called a third party manager. They have been given the authority by the principals to act for or represent them. The authority of the agent or manager involving real property is usually in writing. In many areas this authority is also legalized through licensing, assuring the public that the licensee is qualified in the field of real estate. In addition, the law often recognizes the *fiduciary relationship* established by an agency or management agreement as a special burden on the agent to perform ethically and in the best interests of the principal.

Providing Property Management

Property management is provided in various ways, just as buildings are owned by a wide variety of entities:

- An owner hires or assigns an employee to handle the necessary functions. The employee may be called a building manager or property manager, he or she may be full-time or part-time, on-site or off-site, and may be fully or partially responsible for one or more properties.
- An owner hires a property management company as agent or independent contractor to handle the necessary functions. This company then provides an employee as building manager or property manager. He or she may be full-time or part-time, on-site or off-site, and may be fully or partially responsible for one or more properties. The fiduciary relationship of agent creates legal and ethical responsibilities in achieving the owner's objectives.
- An owner hires an asset management firm or asset manager to be responsible for a portfolio of properties. This entity is then responsible for hiring and supervising the property management services of each property, usually through one or more property management firms. The person designated by the property management firm as building manager or property manager may be full-time or part-time, on-site or off-site, and handle one or more properties.

JOB TITLES

The titles *building manager* or *property manager* may be used interchangeably. Because a property manager is often responsible for more than one building and because *property* sounds more encompassing than *building*, it is the generally preferred title and will be the title used for this text.

Other titles such as *general manager* and *asset manager* are assigned to property management personnel. The use of the title *asset manager* in connection with property management has caused some confusion in the industry. Asset managers believe their responsibilities include financial and analytical ones not required of property managers. Many property managers believe they perform asset management functions. For purposes of this text, the role of property management will be separated from that of asset management.

Since a property manager may be full-time or part-time, on-site or off-site, with responsibilities for more than one property, the job description for this position will vary. Let us assume, however, that we are filling the position of a property manager for a new, first-class office building which requires full-time, on-site management. The owner (a developer) wishes to hire this person who will report to a senior vice president.

SAMPLE JOB DESCRIPTION

TITLE: PROPERTY MANAGER, CITY CENTRE PLAZA

A. GENERAL DESCRIPTION

Responsible for the general administrative and reporting functions, for the physical operations of the property, and for the maximizing of rental and other income. Provides direction to and implements the maintenance of the structure and equipment to ensure efficiency and reliability of operations at lowest cost while maintaining first-class operations and preventing *functional obsolescence* of physical structure and equipment. Responsible for hiring and supervising qualified personnel to service the building. Responsible for bidding and hiring outside contractors as authorized. Responsible for tenant liaison and retention.

B. SUPERVISION AND AUTHORITY

Under the general supervision and direction of the senior vice president, property manager complies with established *Office Building Operating Policies and Procedures*. Property manager is vested with authority to make discretionary decisions in the event of emergency circumstances not covered by Policies and Procedures.

C. PRINCIPAL DUTIES AND RESPONSIBILITIES

1. Creates *cash flow operating budget* for full or partial calendar year's operation at projected occupancy. Creates *accrual operating budget* for calendar year at full occupancy which, when approved by supervisor, shall constitute *estimated operating expenses* under the provisions of the building lease. Budgets shall include number, type, and salary requirements of personnel required for operations as well as outside contracts and supplies required.
2. Works with the personnel department, interviews, hires and assigns personnel per budget. Ensures that background checks are satisfactorily completed by the personnel department before offers of employment are made. Job descriptions are required for each position.

3. Prepares *bid proposals* for all outside service contracts per Policies and Procedures. Awards same with approval of supervisor. Supervises and evaluates all *outside contractors* for performance per specifications. Rebids every contract upon expiration unless otherwise approved by supervisor.
4. Prepares written, detailed *management plan* reflecting the approved budget expenses and detailing building standard services to be provided and nonstandard services to be offered. Indicates manner in which the quality of these services is to be tested. Prepares *marketing plan* reflecting the approved budget income and detailing the steps to be taken to meet the income goals.
5. Coordinates all approved preopening, opening, and postopening activities to insure optimum success.
6. Prepares all financial reports, budgets, and variance reports as required by management on a timely basis as scheduled. *Cash management* of income and expenditures as directed is critical.
7. Accepts responsibility for *accounts payable* from purchase orders through coding and approval for payment.
8. Provides *lease administration* per Policies and Procedures. Prepares information for billing of rents and operating expenses, escalation adjustments, and overstandard services and utilities.
9. Provides direction and supervision to the building staff in the performance of their duties. Evaluates responsiveness and discusses with staff their performances, especially problems or weaknesses. Suggests special training if needed. Writes performance reviews for all personnel at least annually.
10. Encourages by word and deed a *customer-service attitude* for all staff members, emphasizing the importance of tenant satisfaction and retention to the success of the building. Measures results and recommends exceptional employees for company incentive program.
11. Encourages computerization of engineering and office functions for efficiency of reporting, energy savings, building automation, cash management, and parking control. Recommends to management innovations and improvements.
12. Supervises fire and life safety annual drills and inspections per Policies and Procedures.
13. Supervises security functions for protection of occupants, visitors, and property in accordance with Policies and Procedures, including coordination with other company-owned properties. Reports immediately any security incidents to supervisor.

14. Accepts responsibility for administration of the *risk management* program. Responsible for obtaining and maintaining valid Certificates of Insurance as required from tenants and contractors.
15. Provides annually, or more often if needed, and no later than September 1 of each year, a written report on the physical status of the building, grounds, and equipment, making recommendations for repairs or replacements, including estimates of costs and whether operating or capital expenditures. Includes approved items in following year's budget.
16. Executes *Tenant Retention Program* which includes monthly visits with tenant executives. Records all contacts. Reports biannually to management regarding the status of relations with each tenant per guidelines provided.
17. Supervises coordination of *tenant improvements* to effect transfer of responsibility from leasing department to management, such transfer to begin before lease execution. Hires and supervises tenant improvement contractor in accordance with Policies and Procedures. Approves all invoices, obtains lien releases, and ensures that certificates of occupancy are obtained on time. Maintains complete files of plans, contracts, and costs.
18. Accepts responsibility for leasing and re-leasing the building unless otherwise delegated by supervisor. Prepares marketing program and budget and supervises implementation to insure highest lease rates and quality tenancy. Submits *lease proposals* to supervisor for prior approvals.
19. Recommends changes and additions to *Office Building Operating Policies and Procedures* of the company.

D. QUALIFICATIONS

RPA, college-educated, experienced in Class A building management. Confident and disciplined, with strong verbal and writing skills and lease negotiating experience. Must be both leader and team player.

Please note the following regarding job descriptions:

- The job description cannot include all details of operation, referred to above as company Policies and Procedures.
- A property manager may be hired while a building is in planning or early construction stages. Duties then might include recommending floor plate size(s) and dimensions, materials to be used in exterior cladding and interior public areas, desired systems and equipment, and other matters pertinent to future efficient operation of the property.
- Many but not all property managers have leasing responsibilities in addition to property management responsibilities. These duties and functions are fully described in *Leasing and Marketing for Property Managers* published by Building Owners and Managers Institute International.

